Annual Report 1979

CYPRUS ANVIL

Annual Meeting

The Annual Meeting of the Company will be held on Friday, May 2nd, 1980 at 11:00 a.m. in the Garibaldi Room, Four Seasons Hotel, Vancouver, British Columbia.

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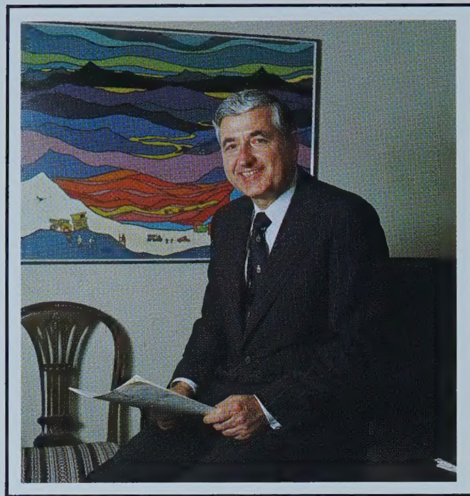
The First Decade

Drill core samples on a bed of lead concentrate pictured on the cover of this year's annual report symbolize our business: mining. The 10 core samples also symbolize the completion of Cyprus Anvil's first decade of operations. The theme of this report, including the section "A Decade of Progress", is Cyprus Anvil's first 10 years of operations.

TO OUR SHAREHOLDERS



John Bruk
President and Chief Executive Officer

At the end of 1979 your Company concluded its first decade of operations. This anniversary, which is illustrated throughout this report, was fittingly marked by record 1979 net earnings of $38,290,000 or $5.01 per share. Earnings in 1978 were $6,985,000 or 92 cents per share.

Gross revenues in 1979 increased sharply to $235,462,000 compared with $140,211,000 in the previous year. The level achieved was the highest in the Company's 10-year history as a lead/zinc/silver producer, as shown in the accompanying charts.

Concentrates sold in 1979 had a payable metal content of 167,175,000 pounds of lead, 242,554,000 pounds of zinc and 1,601,000 ounces of silver compared to 167,535,000 pounds of lead, 213,112,000 pounds of zinc and 1,745,000 ounces of silver in 1978. Average prices for the year were: lead 62.4 cents per pound, zinc 42.1 cents per pound and silver $12.84 per ounce compared to 34.3 cents for lead, 31.5 cents for zinc and $6.12 for silver in 1978.

Production and concentrate sales in 1979 were adversely affected by two illegal strikes, one of seven days duration in February, and another lasting 18 days in September and early October. The record earnings therefore, were attained by a plant operating at only 85 per cent of design capacity. The main factors contributing to the record financial performance were improved metal prices and the premium realized by receiving payment in U.S. dollars.

Your Company's financial achievements, combined with acquisition and exploration results, made 1979 the best year since the start of production in 1969. The year resulted in significant additions to reserves in the Anvil District with the finalization of the acquisition of the Grum and Vangorda properties and continued exploration success on the DY deposit. These achievements will help us reach our first priority which is to stabilize the Faro operation over a long period, thereby providing a firm base from which to expand.

Our extensive mineral holdings in the Anvil district in Yukon and the Cirque discovery in northern British Columbia establish your Company as a long-term, major lead-zinc-silver producer. That strong position encourages our continuing study of the feasibility of a lead-zinc smelter. It also enables us to take steps to establish a similar mining position in other minerals. Accordingly, one Company objective is to expand our coal holdings and to search for copper and molybdenum opportunities in Western Canada.

We have come a long way towards the goal of the Dynasty-Anvil amalgamation which was to develop a major Canadian resource company. Net earnings have increased, despite the cyclical nature of mining; shareholders' equity has risen steadily over the years from $4,910,000 in 1970 to $112,125,000 in 1979; a solid base has been established at Faro. There are, however, some important steps yet to be taken. Among these are the long-term recruitment, training and retention of skilled workers at Faro, a solution to current Yukon transportation problems, and the problem of availability of energy to meet our growing requirements.

It is worth noting that the history of your Company is a continuing affirmation of our faith in the future of Yukon and its people, demonstrating as well a mutuality of interests with all the people and the activities in the Territory.

Following the May 15, 1979 acquisition of the mineral properties of Kerr Addison and Canadian Natural Resources in the

TOTAL REVENUES ($000's)

TOTAL REVENUES ($000's)

79	235,462
78	140,221
77	126,459
76	56,666
75	157,877
74	128,463
73	112,908
72	74,078
71	56,034
70	40,516

TOTAL REVENUES ($000's)
LEAD

79	108,987
78	59,456
77	45,130
76	17,608
75	48,515
74	51,666
73	41,576
72	29,241
71	21,069
70	17,201

TOTAL REVENUES ($000's)
ZINC

79	103,209
78	68,969
77	74,753
76	36,649
75	94,076
74	64,645
73	65,245
72	40,602
71	31,667
70	20,577

TOTAL REVENUES ($000's)
SILVER

79	23,266
78	11,786
77	6,576
76	2,409
75	15,286
74	12,152
73	6,087
72	4,235
71	3,298
70	2,738

Anvil district, a group was organized within the Company to conduct a development feasibility study of the Grum and Vangorda deposits. The objective is to phase this ore into the production schedule for milling with Faro ore in the future. Work and studies completed or in progress at the year's end are extensive and include a redrilling program on the Vangorda deposit, geotechnical work in the Grum area, construction of a mine model, metallurgical testing of the Vangorda ore, and a pilot plant to assess the effects of the finer grinding required from Grum and Vangorda ores if concurrent milling takes place. Determination of power requirements and sources, ore transportation studies, and many other subjects are being studied.

This preliminary work is now advanced to the point that development decisions probably can be made this spring.

Employee relations remain an area of constant concern and attention. Everyone, in management and production, must continue to analyze and develop the good relationships so vital to full realization of the goal of a secure, prosperous and fulfilling future that is our joint responsibility.

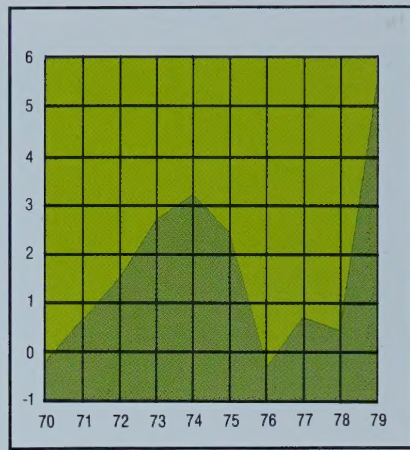
Shareholder dividends totalling $5.7 million were declared and paid in 1979, compared to $1.1 million in 1978. Shares outstanding in 1979 were 7,657,015, up slightly from 7,615,773 in 1978. It is also gratifying to note that the share price of Cyprus Anvil stock has risen substantially in 1979 as the potential of your Company is being recognized.

During the past few years it has become evident that the North Pacific Rim is emerging as a strong, expanding market for our products, one that our strategic geographical position enables us to serve to advantage.

In stressing the possibilities of the Pacific Rim we have no intention of overlooking the opportunities available elsewhere. During 1979 shipments were made to smelters in Germany, Britain, France, Belgium, Sardinia and the Soviet Union, which is, in part, also a Pacific Rim Country. There is no doubt that these are markets worth cultivating and we shall continue to give them our attention.

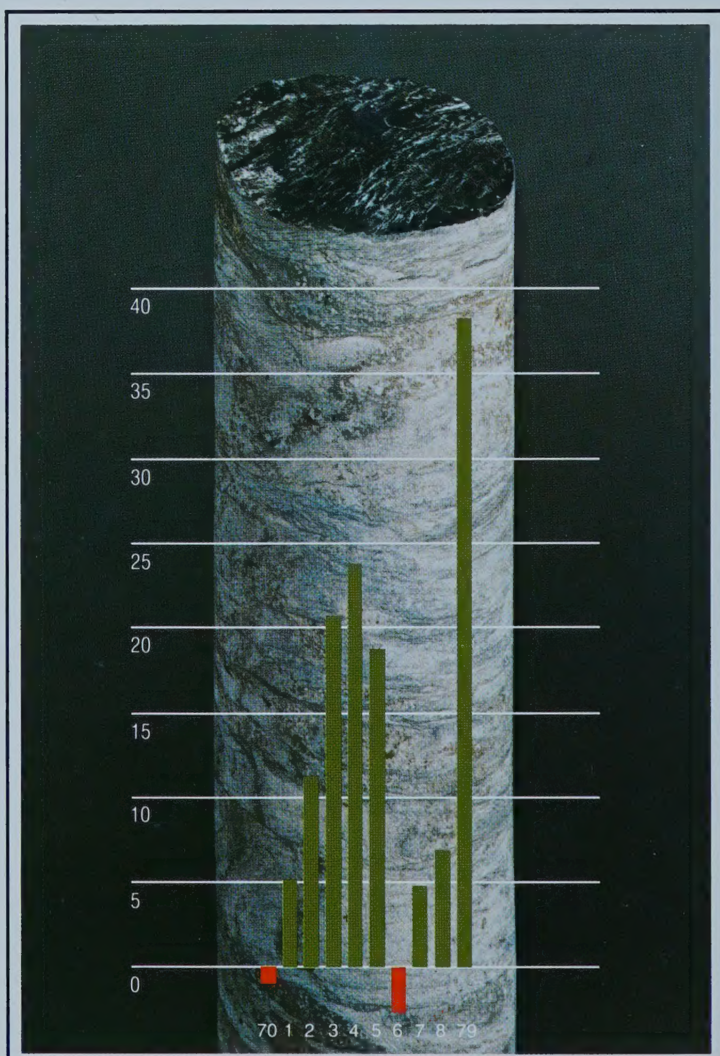
For 1980, we anticipate continued progress. All of our concentrate is committed and prices for our products are expected to remain at reasonable levels; in particular, some improvement in zinc prices has already become evident. The Company's collective agreement with unions representing workers at the Faro operations expire at the end of September and new agreements must be negotiated. The Canadian dollar is expected to strengthen in 1980, and over the longer term rise to levels that are reflective of Canada's resource and energy potential.

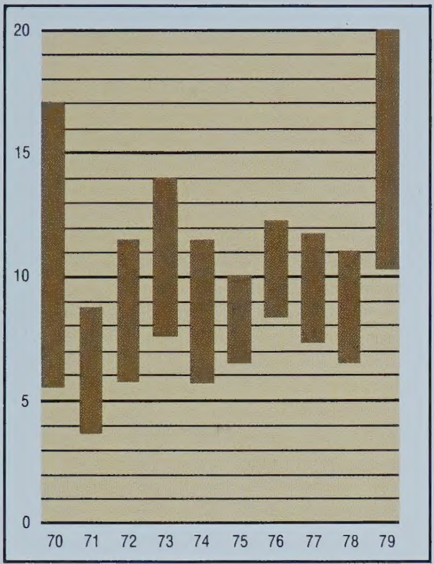
Over the last 10 years, Cyprus Anvil has realized many of the goals it set for itself in 1969. The charts and other material throughout this report illustrate this progress. Some objectives are continuing, and we shall always have to strive to attain them. These include our responsibilities to shareholders, employees, customers and to the society in which we all live and to which we must all contribute.



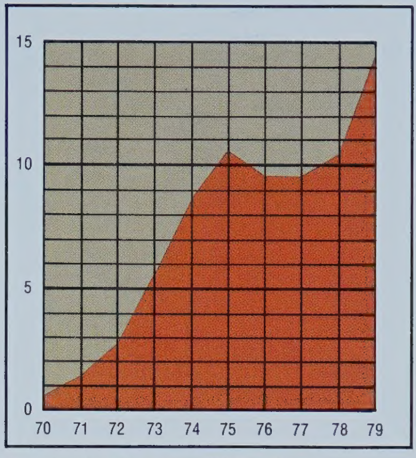
Net Income — ($) Per Share

NET INCOME (Millions) PROFIT LOSS





Share Price Range ($)



Shareholders Equity — ($) Per Share

Other objectives are more specific. In the past annual reports we have stressed that our major goal is to duplicate the success of the Anvil District elsewhere in Western Canada. As a result of the success of the Cirque discovery, and planning that is now in progress, we have moved a significant step closer to that goal.

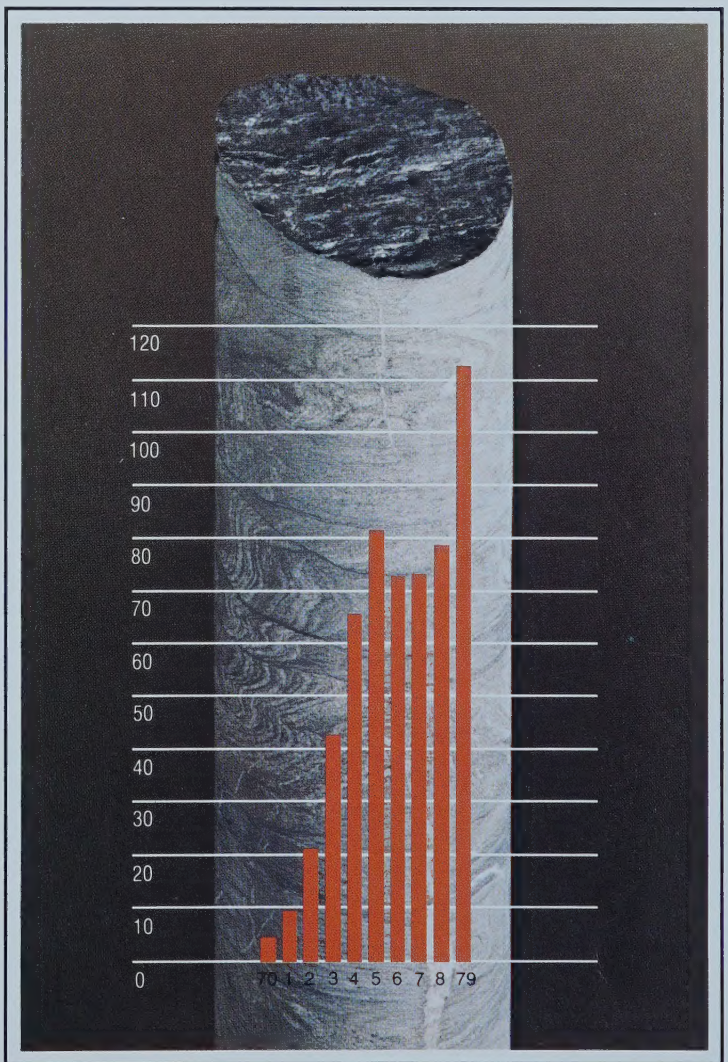
For the decade ahead, there is a blend of difficulties and opportunities that face the mining industry in Canada. It would appear clear from present indications that the opportunities far outweigh the difficulties and that a sound, optimistic approach to the future is justified and will produce beneficial results.

A number of corporate personnel changes have occurred at the start of the new year. Paul Allen, formerly executive vice-president of Cyprus Anvil Mining Corporation, has retired as a director. Kenneth Barr, the new President of Cyprus Mines Corporation, has become a director. We are grateful to Mr. Allen for his contributions and we welcome Mr. Barr.

The dedication of Cyprus Anvil's employees played a major role in your Company's performance in 1979 and we thank them for it.

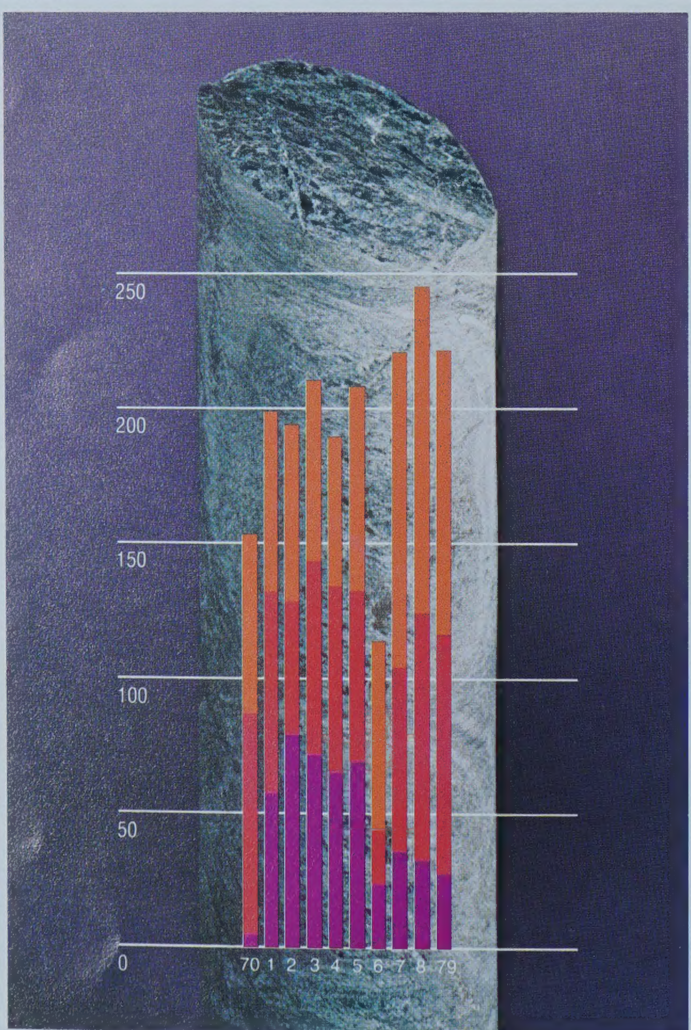
John Bruk,
President.

SHAREHOLDERS EQUITY (Millions)



OPERATIONS

CONCENTRATE PRODUCED DMT (000's) BULK LEAD ZINC



Marking the tenth year of its operations, Faro mine production was 6,213,000 cubic metres, of which 5,482,000 was waste stripping. A total of 2,823,000 tonnes of ore was milled, in operations on a 24-hour day, seven-day-a-week basis.

The grade of mill feed was 3.26 per cent lead and 5.28 per cent zinc, for a combined feed grade of 8.54 per cent. Concentrates produced during the year were 117,491 dry tonnes of lead, 222,073 dry tonnes of zinc and 28,631 dry tonnes of bulk.

Operations during 1979 were disrupted twice by illegal work stoppages, one of seven days in February, and a second of 18 days in late September and early October.

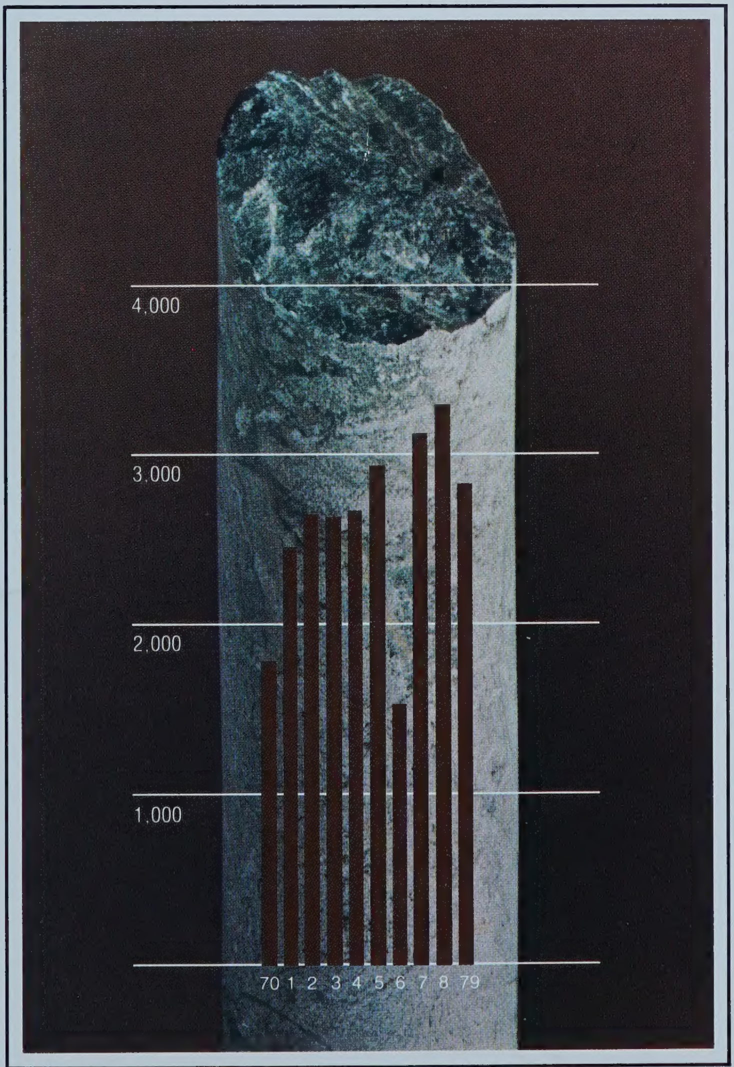
Because of the stoppages, and problems of startup following them, concentrator use was about 85 per cent of designed capacity. During normal periods concentrator availability was good and metallurgical recoveries were satisfactory and close to levels projected for the year. Concentrate grades were slightly lower than forecast, primarily because of the type of ore handled. The combined grade of ore to the mill was higher than projected, with the lead portion of the feed grade at the forecast level, and zinc higher.

During 1979 the older, smaller mine shovels used mainly for ore loading, were replaced by a new, larger shovel and a large loader. In the mine, major equipment additions included a new blast hole drill and a replacement crawler tractor.

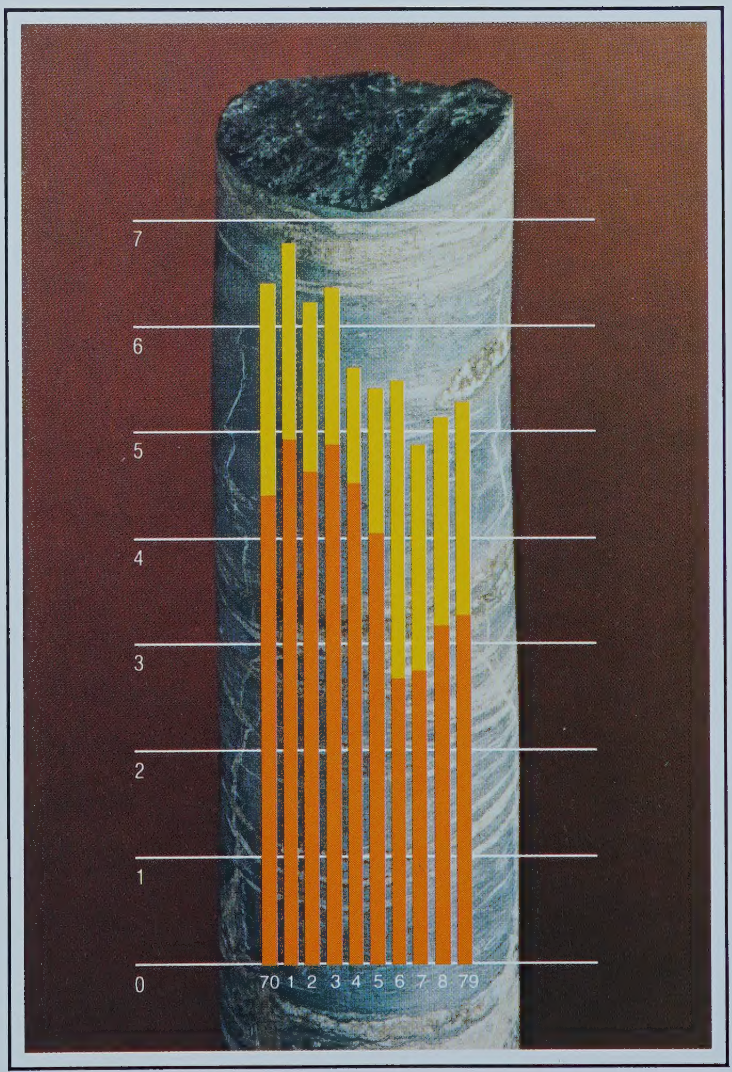
In the town of Faro a major housing program was completed, adding 10 single family units and 30 multiple units to the community.

Ore reserves in the Faro deposits were re-estimated during 1979, and at the end of the year there were 39.8 million tonnes with an average grade of 3.0 per cent lead, 4.8 per cent zinc, and 37 grams of silver per tonne. Of this total geological reserve 32 million tonnes, at an average grade of 3.1 per cent lead and 4.8 per cent zinc and 37 grams of silver per tonne, are contained within the present open pit operating plan.

ORE MILLED DRY TONNES (000's)



AVERAGE GRADE OF ORE MILLED % LEAD % ZINC



EXPLORATION, NEW PROJECTS AND DEVELOPMENT

Events in 1979 will have a profound impact on the future of your Company. Finalization of the acquisition from Kerr Addison Mines Ltd., Canadian Natural Resources Ltd. and Vangorda Mines Limited (a subsidiary of Kerr Addison) of their properties in the Anvil District, along with continued successful exploration of the DY deposit, assure ore reserves for operations in excess of 20 years.

Your Company, in joint venture with Hudson's Bay Oil and Gas Company Limited, made a significant lead-zinc-silver discovery on the Cirque property in northeastern B.C. that at this early stage of exploration has a large indicated tonnage in one deposit which occurs in a geological setting favourable for extensions and discovery of additional deposits. This joint venture project should provide an important long-term opportunity for Cyprus Anvil.

On completion of the Anvil District acquisitions a feasibility group was organized to commence technical and economic studies that will form the basis for developing the open pit mineable portions of the Grum and Vangorda deposits. These investigations will lead to a development plan to determine the optimum scheduling of ore deliveries from the deposits to be milled concurrently with remaining Faro reserves. It is anticipated that these basic feasibility studies will be sufficiently advanced for a development decision in the first half of 1980.

Much of this work was completed or in progress at year end. Extensive redrilling of the Vangorda deposit was done to provide the necessary data for a mine model and metallurgical parameters. A mine model for Grum is being prepared including preproduction stripping requirements and geotechnical data. Preliminary design for concentrator modifications required to mill Grum and Vangorda ores are in progress along with certain aspects of detailed engineering and tailings disposal requirements.

A pilot plant program has been completed with positive results that assesses the effects of the finer grinding required for Grum and Vangorda ores on Faro ore if milled concurrently. Other investigations include the determination of power requirements and sources, and ore transportation studies for ore haulage from the Grum and Vangorda mine areas to the Anvil concentrator.

Preliminary mine models prepared for the Grum and Vangorda deposits have resulted in estimated open pit mineable reserves for Grum of 15.6 million tonnes of 3.1 per cent lead, 5.0 per cent zinc and 47 grams per tonne silver and for Vangorda of 6.1 million tonnes of 3.5 per cent lead, 4.6 per cent zinc and 50 grams per tonne silver.

A further drill program on the DY deposit in 1979 has provided sufficient data to estimate a combination of drill indicated and geologically inferred reserves in place of 14.7 million tonnes of 5.6 per cent lead, 7.1 per cent zinc and 84 grams per tonne silver in three zones at depths from 600 to 900 metres. The zones occur in gently dipping horizons that are open to extension by further drilling in 1980 that will define the deposit in greater detail and explore areas on the southwest and northern margins. Elsewhere in the Anvil District, drill programs to assess the on-strike potential of the Faro and Swim deposit horizons were carried out and will continue in 1980.

Outside the Anvil District, a significant event in the history of the Company has been the discovery of the Cirque lead-zinc-silver deposit this past year. Over the past three years an extensive regional program north of Williston Lake in northeastern B.C. has been carried out in a 50-50 joint venture with Hudson's Bay Oil and Gas Company Limited. The Cirque is one of four large claim blocks staked as a result of this program where diamond drilling has indicated a deposit of major proportions. Underground reserves in place of 18 million tonnes of 2.3 per cent lead, 7.9 per cent zinc and 49 grams per tonne silver, have been indicated and an additional geological reserve of approximately 15 million tonnes is inferred down dip. The deposit is stratiform barite hosted lead-zinc mineralization up to 60 metres in thickness, with a dip of 30 to 50 degrees open along strike and down dip. Several kilometres of the favourable host formation remain to be tested on the Cirque property and extensive targets of a similar nature have been identified on other properties. A much expanded program is planned on the Cirque in 1980 as well as drill testing on other properties.

A detailed feasibility study of the Tulameen thermal coal project is proceeding and a fully updated technical and cost investigation should be completed in the first half of 1980. A thorough market study will follow.


Distribution of geological formations, mineralization and drill holes at Cirque Deposit
OSRR
OSRR
SSS
UDMHW
LUDFW
UDMHW
CIRQUE DEPOSIT
SECTION 297+60
W
E
79-C-18
79-C-03
79-C-14
79-C-23
0 50 100 M
lead-zinc mineralization
Typical cross section of Cirque lead-zinc deposit
YUKON
FARO
WHITEHORSE
SKAGWAY
ALASKA
FORT NELSON
CIRQUE PROPERTY
BRITISH
COLUMBIA
WILLISTON LAKE
FORT
ST. JOHN
MACKENZIE
DAWSON
CREEK
PRINCE
RUPERT
PRINCE GEORGE
EDMONTON
ALBERTA
CALGARY
PACIFIC
OCEAN
VANCOUVER
U.S.A.
RAILWAYS
HIGHWAYS

FINANCIAL AND MARKETING

Concentrate sales in 1979 reached $235.5 million, 68% above the 1978 sales value of $140.2 million.

Continued strong prices for lead and silver marked the 12-month period. Lead, which sold for an average 34.3 cents a pound in 1978, fetched an average 62.4 cents in 1979. Zinc, averaging 31.5 cents a pound in 1978, brought in 42.1 cents in 1979. Silver prices rose from $6.12 an ounce to a $12.82 average for the year and had reached $21.35 at the year end.

The lower exchange rate of the Canadian dollar in terms of the U.S. dollar continued to benefit your Company. Some of this gain, however, was offset by higher taxes. In 1978 income taxes and Yukon royalties amounted to $1.3 million but in 1979 the same levies amounted to $26.54 million.

Long-term debt was reduced from $22.4 million at the end of 1978 to $4.75 million at the end of 1979, of which $4.6 million is housing mortgage debt.

The past year has been one of continued constraints and trial for lead and zinc. The zinc market showed signs of improvement but because of relatively static consumption and excess smelter capacity the movement was limited. The average price received for zinc of 42 cents per pound was an improvement over the 31.5¢ average that prevailed in 1978. However, we do not consider this price to be adequate to sustain the industry, particularly as the cost of energy continues to escalate. Towards the end of the year it became evident that zinc concentrates were becoming fairly scarce in spite of announced smelter cutbacks. Provided that economic conditions do not deteriorate further we anticipate that the shortage of concentrates will constrain production with the result that metal markets will improve with an increase in prices.

As was the case in 1978 market conditions for lead were completely opposite to those for zinc, shortage of metal resulting in the highest ever prices. During the year we received 62.4¢ a pound for lead, compared to 34.3¢ in 1978. Purchases by Eastern Bloc countries contributed to the tight supply situation. Towards the end of the year some market weakness appeared and prices slipped to around the 50¢ level. A major reason for this drop is decreased battery production resulting from the downturn in the automotive industry and a relatively mild winter. For 1980, we are cautiously optimistic that lead prices will not experience a substantial decline from current levels. Barring any major political or economic upheaval, a reasonably balanced market for lead can be expected.

The contribution of silver to your Company's successful financial performance in 1979 has been a significant one. The market witnessed a dramatic rise in silver prices to a record high of $21.35 per ounce at year end, achieving an average price of $12.84 for the year. Speculation has played a major role in the price increase as many investors looked to silver to provide a safe haven from mounting political and economic uncertainties. Because the silver market remains so volatile, it is difficult to assess the future price movements of this metal. However, we anticipate that throughout 1980 silver prices will remain significantly higher than historical levels.

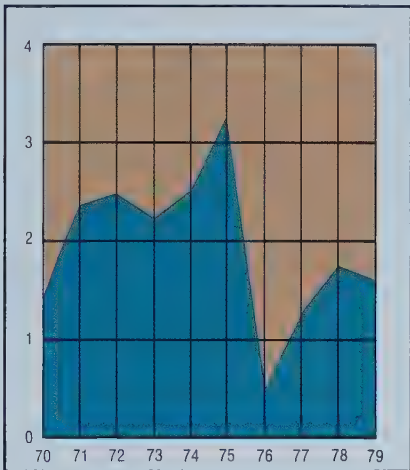
During 1979 offshore shipments went to Asia and Europe under long and medium term sales agreements with Toho Zinc Co. Ltd. and Mitsui Mining and Smelting Co. Ltd. of Japan; Metallgesellschaft AG of Germany; Philipp Brothers Division of Engelhard Minerals and Chemical Corporation of the U.S.; and V/O Raznoimport of the Soviet Union.

Shipments from Skagway, Alaska, totalled 401,000 dry tonnes, made up of 125,000 dry tonnes of lead concentrates, 250,000 dry tonnes of zinc concentrate and 26,000 dry tonnes of bulk concentrate. Approximately 80% of the tonnage was moved in ships arranged by your Company. A tighter shipping market and steadily rising fuel prices have increased ocean freight rates considerably.

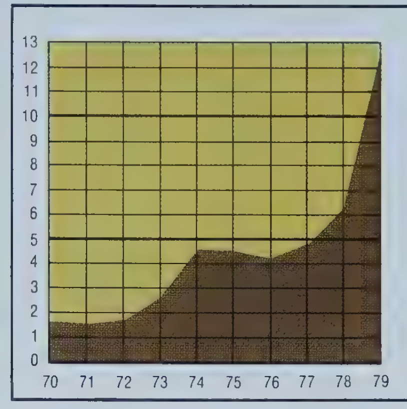
The White Pass and Yukon Route, a truck-and-rail line that transports concentrates from Faro to Skagway, continues to have problems of capital requirement and operating costs. During the year Cyprus Anvil agreed to a temporary upward revision of contractual rates while seeking a solution of the problem within the context of overall transportation needs of the North.

A line of credit of $35 million is in place with your Company's bankers. This line of credit provides your Company with considerable flexibility for, at the Company's option, it may be converted to a term loan and either U.S. or Canadian currency may be selected.

During the year your Company generated $56,033,000 of working capital, 68 per cent of which came from net earnings for this period. At year's end, working capital was reduced by $6,595,000 to $14,097,000 primarily as a result of the following major expenditures: $17,545,000 devoted to retirement of long-term debt; $5,734,000 paid in dividends to shareholders; $11,540,000 for additions to fixed assets; and $25,590,000 spent in exploration and property acquisition.

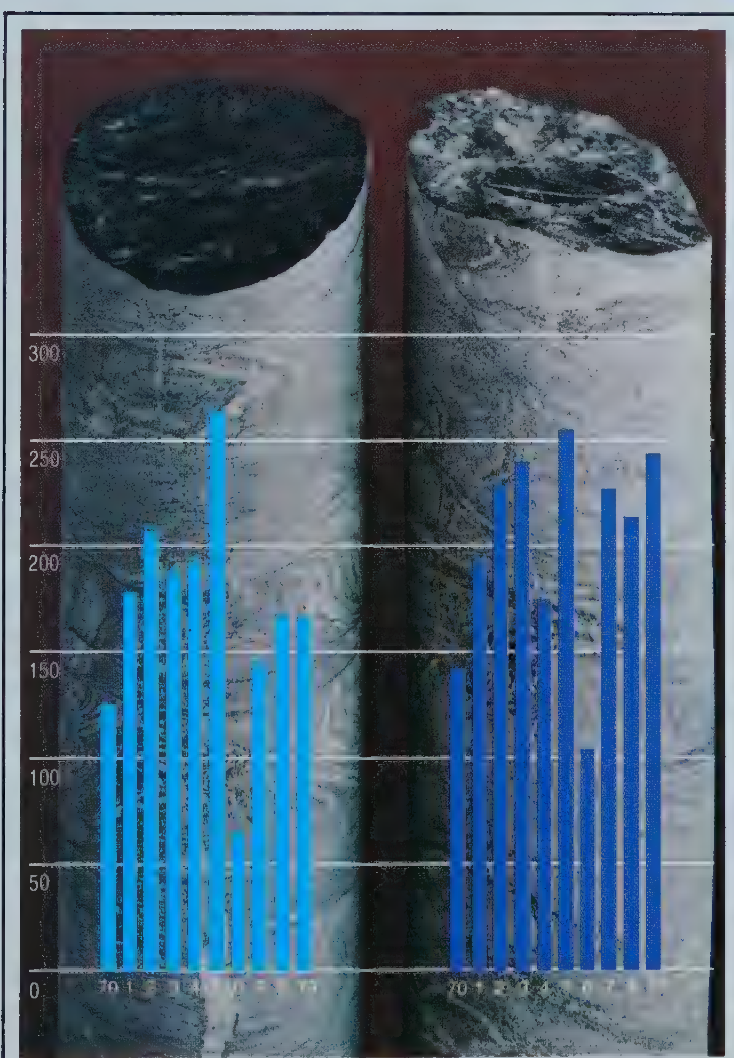


Payable Metal Sold — Ounces of Silver (Millions)

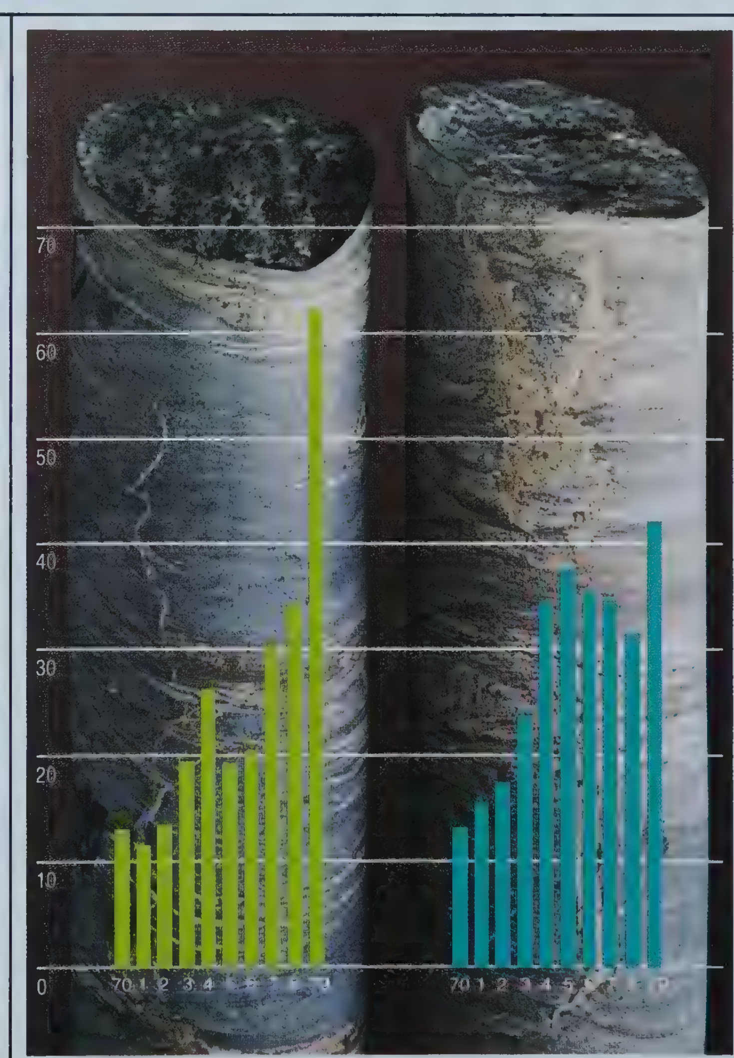


Average Prices During Year — Silver ($)

PAYABLE METAL SOLD
LBS. OF LEAD (Millions) LBS. OF ZINC (Millions)



AVERAGE PRICES DURING YEAR
LEAD — CENTS PER LB. ZINC — CENTS PER LB.



A 10th anniversary is an occasion of importance for any industrial enterprise. Most companies, by that time, are established and have something to look back on. If they have lasted a decade they will have achieved enough to look forward with confidence but not enough to have realized all their dreams.

Cyprus Anvil is one of those fortunate organizations that has completed 10 years of activity. It has accomplished more than just a little — some would say a great deal.

In 1965 as a result of the Faro deposit discovery Anvil Mining Corporation, owned 60 per cent by Cyprus Mines Corporation of Los Angeles and 40 per cent by Dynasty Explorations Limited of Vancouver was incorporated to develop the deposit. Production at the mine, and mill near Faro commenced in late 1969.

At startup the enterprise began with some clearly defined goals. Among them was the intention of repaying the original production financing as quickly as possible. Development of an effective organization to achieve this end was a second. High on the list of priorities was the fashioning of a high-calibre labor force; construction of a self-contained mining community to house the employees and meet all their needs; emphasis on market development and full provision of energy requirements.

By 1975, with many of the primary goals attained or in sight, it was decided to combine the operational capabilities and cash flow with the exploration expertise of Dynasty. A new company emerged, Cyprus Anvil Mining Corporation. It had every prospect of success for thanks to favorable metal prices from 1973 to early 1975 the Company, in 1975, was able to retire all of the long-term debt from its initial development other than housing mortgages, well ahead of schedule.

It moved into its new corporate structure with some new goals such as the strengthening of the Faro operation to make it the foundation of a greater and more secure future, and the utilization of the Dynasty expertise to permit the Company to become a major Canadian mining corporation, properly utilizing its basic human and managerial strengths.

Since its beginning the Faro mill's original design capacity of 5,500 tons of ore per day has twice been expanded, to its present 10,000 TPD.

Exploration and property acquisition has been part of the game plan from the start. As a result, important lead-zinc prospects in Yukon, and elsewhere, have been discovered and acquired directly or through joint ventures.

In Yukon, where the majority are located, claims cover some 300 square miles and although many are subject to either joint ventures or minority participation, in almost all properties your Company has a majority position and management of ongoing exploration.

Some of our expansion is being channelled into coal exploration, with metallurgical and thermal coal deposits in British Columbia and Alberta that will win growing attention.

In Alberta, through a wholly-owned subsidiary, Cyprus owns 14 leases totalling 54 square miles covering a metallurgical coal deposit known as the Torrens Project. In B.C. it has mining claims under option or by location, and coal licences on an extensive thermal coal property known as the Tulameen Project. Both have been evaluated in a preliminary manner, with interesting results.

It is your Company's expectation that the demand for its products will continue. Global demand for zinc and lead metal and concentrates gives indications of continuing to increase. Under almost any conditions in the market it is reasonable to expect that the demand will remain strong. While it has not been considered a major product of our present operations, silver is becoming an increasingly more valuable item in our sales returns.

Exploration and acquisition will be pursued, and further processing and marketing of metals will be required. To this end we will continue to broaden and improve our management.

The guarantee of future success depends on good planning, hard work and enthusiasm, and those qualities have characterized our first decade. Our plans, when completed, will increase your Company's operations. It may lead to the creation of other communities like Faro, many miles removed from the original.

The new decade will demand even more attention to marketing, than the past, and this is high in our planning list.

Canada's fortunate energy position will be an invaluable asset for us, assuring a dependable supply at a reasonable price, a major aid in a competitive world.

Our new marketing strategy will be directed to obtaining a maximum return, a highly desirable end for all, including those in charge of the public treasuries to whom our tax dollars are directed.

We enter our second decade with new ideas and new hopes, ready to find the opportunities that so clearly exist at home and abroad.

TEN YEAR STATISTICAL REVIEW

Financial	1979	1978
Total Revenues ($000s)	**235,462**	140,221
Net Income (Loss) ($000s)	**38,290**	6,985
Per Share ($)	**5.01**	.42
Shareholders Equity ($000s)	**112,125**	79,122
Per Share ($)	**14.67**	10.42
Working Capital ($000s)	**14,097**	20,692
Market Range of Stock		
High	**20.00**	11.00
Low	**10.25**	6.38
Shares Outstanding	**7,657,015**	7,615,773

Production	1979	1978
Ore Milled — Dry Tonnes (000s)	**2,823**	3,280
Average Grade of Ore Milled		
Lead %	**3.26**	3.17
Zinc %	**5.28**	5.14
Concentrate Produced DMT		
Lead	**117,491**	134,328
Zinc	**222,073**	246,375
Bulk	**28,631**	32,931
Concentrate Grade		
Lead %	**61.39**	60.48
Zinc %	**50.38**	50.41
Labour Turn-Over Rate	**39.1**	42.2
Number of Working Employees — Year End	**581**	550

Marketing	1979	1978
Payable Metal Sold		
Pounds of Lead (000s)	**167,175**	167,535
Pounds of Zinc (000s)	**242,554**	213,112
Ounces of Silver (000s)	**1,601**	1,745
Average Prices During Year		
Per Pound of Lead	**62.4¢**	34.3¢
Per Pound of Zinc	**42.1¢**	31.5¢
Per Ounce of Silver	**$12.84**	$ 6.12

1977	1976	1975	1974	1973	1972	1971	1970
126,459	56,666	157,877	128,463	112,908	74,078	56,034	40,516
4,934	(2,699)	18,880	23,805	20,677	11,234	5,012	(986)
.65	(.35)	2.48	3.13	2.72	1.48	.66	(.13)
73,274	72,909	80,177	65,866	42,202	21,566	9,935	4,910
9.62	9.57	10.53	8.65	5.54	2.83	1.31	.65
11,921	9,218	18,841	4,506	(2,259)	277	(3,952)	(7,183)
11.75	12.25	10.00	11.38	14.00	11.50	8.75	17.00
7.25	8.38	6.50	5.63	7.50	5.75	3.75	5.50
7,615,250	7,615,250	7,615,250	7,615,250	7,615,250	7,615,250	7,615,250	7,615,250
3,116	1,520	2,926	2,654	2,630	2,636	2,425	1,779
2.74	2.66	4.03	4.51	4.88	4.63	4.92	4.40
4.88	5.48	5.41	5.60	6.37	6.22	6.79	6.40
100,390	43,421	131,954	134,734	142,187	128,895	131,504	86,390
220,831	114,876	209,103	188,186	211,422	193,544	199,385	150,370
36,855	24,622	69,956	65,585	71,847	79,839	58,475	4,984
64.11	67.28	66.89	64.99	66.49	68.46	67.11	65.30
50.29	51.36	50.80	50.29	51.11	50.67	49.83	49.20
40.2	57.6	64.0	92.2	59.2	83.2	112.0	165.1
573	443	488	443	403	366	379	346
145,670	65,963	264,943	192,743	186,973	207,134	177,845	126,503
226,355	103,750	254,834	174,034	239,728	229,365	193,808	142,517
1,254	464	3,335	2,451	2,160	2,403	2,208	1,498
30.1¢	20.4¢	19.2¢	26.2¢	19.5¢	13.6¢	11.7¢	13.2¢
34.7¢	35.6¢	37.5¢	34.5¢	23.9¢	17.5¢	15.7¢	13.3¢
$ 4.88	$ 4.25	$ 4.49	$ 4.58	$ 2.55	$ 1.65	$ 1.54	$ 1.70

CONSOLIDATED BALANCE SHEET

Cyprus Anvil Mining Corporation Consolidated Balance Sheet as at December 31, 1979

Assets	1979 $ (000's)	1978 $ (000's)
Current Assets		
Cash and short-term deposits	**10,457**	107
Accounts receivable	**576**	332
Concentrate settlements receivable	**19,235**	16,585
Concentrate inventory	**6,294**	9,953
Supplies, at cost	**6,112**	5,890
Prepaid expenses	**330**	222
	43,004	33,089
Mineral Properties (note 2)	**35,539**	10,048
Fixed Assets (note 3)	**67,812**	62,327
Deferred Costs (note 4)	**27,026**	26,458
	173,381	131,922

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of Cyprus Anvil Mining Corporation as at December 31, 1979 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances. We previously made a similar examination for the year ended December 31, 1978.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1979 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Vancouver, B.C.
January 14, 1980

Coopers & Lybrand
CHARTERED ACCOUNTANTS

Liabilities	1979 $ (000's)	1978 $ (000's)
Current Liabilities		
Bank advances	—	2,445
Accounts payable and accrued liabilities	**7,496**	5,344
Income taxes and Yukon royalty payable (note 7)	**20,553**	3,863
Current portion of long-term debt (note 5)	**638**	625
Current portion of deferred income taxes (note 7)	**220**	120
	28,907	12,397
Long-Term Debt (note 5)	**4,750**	22,489
Deferred Income Taxes (note 7)	**27,549**	17,849
Minority Interest in Subsidiary Company	**50**	65
	61,256	52,800
Shareholders' Equity		
Capital Stock (note 6)	**3,913**	3,466
Contributed Surplus	**4,067**	4,067
Retained Earnings (note 7)	**104,145**	71,589
	112,125	79,122
	173,381	131,922

Approved by the Directors

Director

Director

The accompanying notes are an integral part of this statement.

CONSOLIDATED STATEMENT OF EARNINGS

Cyprus Anvil Mining Corporation Consolidated Statement of Earnings
for the year ended December 31, 1979

	1979 $ (000's)	1978 $ (000's)
Concentrate Sales	**235,462**	140,211
Deduct: Ocean freight, treatment and related charges	**86,925**	68,057
	148,537	72,154
Operating Expense		
Production, inland transportation and port costs	**55,987**	51,675
Administration and general	**13,364**	8,886
Depreciation	**6,039**	5,798
Amortization	**1,542**	1,742
(Increase) decrease in product inventory levels	**3,659**	(6,177)
	80,591	61,924
Operating Income	**67,946**	10,230
Other Expense (Income)		
Interest income	**(960)**	(110)
Interest on long-term debt	**1,336**	1,817
Other interest	**558**	150
Loss (gain) on disposal of assets	**233**	(202)
Exploration	**1,390**	531
Foreign exchange	**559**	(271)
	3,116	1,915
	64,830	8,315
Provision for Income Taxes and Yukon Royalty		
Income taxes (note 7)	**20,700**	1,150
Yukon royalty	**5,840**	180
	26,540	1,330
Net Earnings for the Year	**38,290**	6,985
Earnings Per Share	**$5.01**	$0.92

The accompanying notes are an integral part of this statement.

Cyprus Anvil Mining Corporation Consolidated Statement of Retained Earnings
for the year ended December 31, 1979

	1979 $ (000's)	1978 $ (000's)
Retained Earnings — Beginning of Year		
As previously reported	**72,839**	66,996
Less: Adjustment of prior years' income taxes (note 7)	**1,250**	1,250
As restated	**71,589**	65,746
Net earnings for the year	**38,290**	6,985
	109,879	72,731
Dividends (note 8)	**5,734**	1,142
Retained Earnings — End of Year	**104,145**	71,589

The accompanying notes are an integral part of this statement.

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

Cyprus Anvil Mining Corporation Consolidated Statement of Changes in Financial Position
for the year ended December 31, 1979

	1979 $ (000's)	1978 $ (000's)
Source of Working Capital		
From operations		
Net earnings for the year	**38,290**	6,985
Items not affecting working capital —		
Depreciation	**6,039**	5,798
Amortization	**1,542**	1,742
Deferred income tax	**9,700**	1,122
	55,571	15,647
Advances from minority interest shareholders	**15**	4
Issue of shares	**447**	5
Bank loan	**—**	6,436
	56,033	22,092
Use of Working Capital		
Dividends	**5,734**	1,142
Long-term debt reduction	**17,545**	938
Fixed asset additions	**11,524**	4,217
Mineral properties (note 2)	**25,590**	1,256
Deferred costs	**(880)**	1,108
Deferred waste removal	**3,115**	4,660
	62,628	13,321
Net Increase (Decrease) in Working Capital	**(6,595)**	8,771
Working Capital — Beginning of Year	**20,692**	11,921
Working Capital — End of Year	**14,097**	20,692
Represented by:		
Current assets	**43,004**	33,089
Current liabilities	**28,907**	12,397
Working Capital — End of Year	**14,097**	20,692

The accompanying notes are an integral part of this statement.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 1979

1. *Significant Accounting Policies*

(a) Principles of Consolidation

The consolidated financial statements include the accounts of the company and its subsidiary companies which are:

	Percentage ownership %
Pelly River Mines Limited (N.P.L.)	71
Kakwa Mines Ltd.	100

Acquisitions of subsidiaries have been accounted for by the purchase method. The excess of cost over the underlying net book value of subsidiaries at the date of acquisition is capitalized and allocated to the assets giving rise to the excess cost. If the assets themselves are being amortized, the excess cost is amortized on the same basis.

(b) Concentrate Sales and Settlements Receivable

Concentrate sales and settlements receivable are recorded at the metal prices, weights and assays available at the year-end. Final prices, weights and assays are not known on a portion of the sales until some time after the year-end; accordingly amounts ultimately received may vary from those recorded.

(c) Concentrate Inventory

Concentrate inventory is valued at the lower of average cost, on an annual FIFO basis, or estimated net realizable value. Average cost for each type of concentrate is determined on the joint product costing basis using relative sales values for proration of costs which includes all production costs and appropriate depreciation, amortization and general and administrative costs, being the full absorption method of inventory cost determination.

(d) Depreciation and Amortization

Depreciation and amortization are calculated on the basis of the shorter of estimated useful life or pounds of metal produced in relation to total estimated marketable pounds of metal available from the orebody.

(e) Mineral Properties and Related Development Costs

The company defers exploration and development costs at such time as it is determined that there is a reasonable degree of certainty as to the existence of economically recoverable mineral reserves within defined areas of interest. All costs will be amortized against future production from that area or written off if the property is abandoned or sold.

(f) Exploration Costs

The company expenses all exploration project costs, outside defined areas of interest, in the period in which they are incurred. Exploration costs include the cost of properties not yet in the development stage.

(g) Deferred Costs

(i) Preproduction

Preproduction costs represent all costs of bringing the mine into production, including development costs but excluding fixed assets. Preproduction costs are deferred and are amortized on the basis of pounds of metal produced in relation to total estimated marketable pounds of metal available from the orebody.

(ii) Waste removal

Removal of waste is charged to production based on a waste-to-ore ratio for the life of the mine. Deferred waste removal costs arise when the waste-to-ore ratio exceeds the estimated average for the life of the mine. When the removal of waste is less than the estimated waste-to-ore ratio for the life of the mine, a provision for future removal costs results.

(h) Foreign Currencies

Foreign currencies have been converted into Canadian dollars as follows:

(i) current assets and current liabilities at rates in effect at the end of the year;

(ii) long-term debt at year-end rates with unrealized exchange gains and losses being deferred and amortized over the remaining life of the debt;

(iii) all other assets, revenue and expense items at rates in effect at dates of transactions.

2. *Mineral Properties*

	1979 $ (000's)	*1978 $ (000's)*
Mineral properties and related development at cost	36,020	10,430
Less: Accumulated amortization	481	382
	35,539	10,048

During the year the company acquired certain mineral properties at a cost of $21,679,000. The vendors have retained a 5% net profits interest, as defined, in certain of the properties, payable after recovery of all related costs of acquisition and capital, including interest.

3. *Fixed Assets*

	1979			1978
	Cost $ (000's)	Accumulated depreciation $ (000's)	Net $ (000's)	Net $ (000's)
Mine buildings, machinery and equipment	81,999	28,621	53,378	52,063
Construction in progress	367		367	20
Townsite buildings and equipment	19,226	5,159	14,067	10,244
	101,592	33,780	67,812	62,327

4. *Deferred Costs*

	1979 $ (000's)	1978 $ (000's)
Preproduction — at cost	33,902	33,902
Less: Accumulated amortization	14,202	12,759
	19,700	21,143
Waste removal (note 1)	7,210	4,095
Other deferred costs	116	112
Unamortized unrealized foreign exchange loss	—	1,108
	27,026	26,458

5. *Long-Term Debt*

	1979 $ (000's)	1978 $ (000's)
8½% — 11¾% mortgages secured by townsite buildings, repayable in varying annual amounts to the year 2000	4,730	4,878
Non-interest bearing notes payable	477	1,095
Advance from minority interest shareholders	181	195
Bank loans		
Repayable in Canadian currency	—	3,900
Repayable in U.S. currency (1978 — $11,000,000 U.S.)	—	13,046
	5,388	23,114
Less: Current portion	638	625
	4,750	22,489

The non-interest bearing notes of $477,297 were paid January 1, 1980.

6. *Capital Stock*

	1979 $	1978 $
Authorized — 100,000,000 common shares, without par value		
Issued and fully paid — 7,657,015 shares (1978 — 7,615,773 shares)	3,912,800	3,466,242

During the year, options were exercised resulting in the issue of 41,242 shares for $446,558. Options on 54,669 shares exercisable at $7.75 per share, expiring in May 1986, and on 55,000 shares exercisable at $15.87 per share expiring in September 1987, were outstanding at December 31, 1979. At the year-end 145,000 shares remained reserved under the stock option plan.

7. *Income Taxes*

(a) Income taxes charged in computing the net earnings are summarized as follows:

	1979 $ (000's)	1978 $ (000's)
Current	10,900	—
Deferred — current portion	220	120
— long-term portion	9,580	1,030
Provision for income taxes	20,700	1,150

(b) Deferred taxes represent the difference in the total tax provision and taxes currently payable. The difference arises during years that expenses allowed as deduction for tax purposes exceed the corresponding expense deducted in computing net earnings for financial statement purposes ("timing differences"). The principal timing differences giving rise to deferred taxes are as follows:

(i) Depreciation deducted for tax purposes (capital cost allowance) exceeded book depreciation for the year.

(ii) Exploration and/or preproduction costs deducted for tax purposes exceeded book amortization and/or write-offs for the year.

(c) During the year the company received reassessments from Revenue Canada - Taxation in respect of income taxes for all years to 1975. A provision of $1,250,000 has been charged against retained earnings as a prior period adjustment. Consequently, certain comparative figures have been restated.

8. *Dividends*

Dividends totalling $5,734,406 (1978 — $1,142,366) were declared and paid in the year on the 7,657,015 (1978 — 7,615,773) shares outstanding.

9. *Statutory Information*

The aggregate direct remuneration paid or payable during the year to directors and senior officers amounted to $1,190,000 (1978 — $531,000).

10. *Commitments*

The company has outstanding commitments of approximately $1,662,000 with respect to acquisition of fixed assets.

11. *Pension Plan*

The company has finalized the general terms of a pension plan for all salaried employees which includes rights and entitlements with respect to past services. The terms of the plan have not yet been formalized; however, an estimated amount of $700,000 in respect of all service to date was paid in the year and charged to current earnings.

DIRECTORS, OFFICERS AND SENIOR STAFF

Directors

Kenneth J. Barr
President
Cyprus Mines Corporation

Morris Belkin
President
Belkin Packaging Ltd.

John Bruk
President and Chief Executive Officer

R.E. Gordon Davis
Executive Vice President

Gordon Furth
Executive Vice President
Cyprus Mines Corporation

Kenneth Lieber
Vice Chairman
Cyprus Mines Corporation

Donovan F. Miller
Chairman
Canadian Fishing Company Ltd.

H. Richard Whittall
Partner
Richardson Securities of Canada

Allen T. Lambert
Company Director and former Chairman
The Toronto-Dominion Bank

Patrick M. Reynolds
Chairman
Bethlehem Copper Corporation

Officers

Kenneth Lieber
Chairman of the Board

John Bruk
President and Chief Executive Officer

R.E. Gordon Davis
Executive Vice President

Robert L. Cook
Senior Vice President

James F. Olk
Senior Vice President

Andrew H. von Kursell
Vice President, Yukon Operations

J. Glenn Simpson
Vice President Exploration

Theodore S. Andrew
Vice President & Comptroller

Thomas H. Biggs
Treasurer

A. Keith Mitchell
Secretary

Joyce D. Willington
Assistant Secretary

Senior Staff

OPERATIONS

John K. Carrington
Manager of Operations

Denis Gregoire
Mine Superintendent

Allen Laird
Mechanical Superintendent

Joseph B. Lidster
Manager, Personnel & Industrial Relations

Robert C. Smith
Mill Superintendent

Raymond L. Webb
Superintendent, Purchasing and Supplies

George H. Wight
Chief Accountant

TECHNICAL SERVICES AND DEVELOPMENT

L.P. Taggart
Manager of Feasibility and Development

EXPLORATION

David S. Jennings
Chief Geologist

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Mine Office:
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Faro, Yukon Territory

Auditors:
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Royal Bank Building
1055 West Georgia Street
Vancouver, B.C.

Solicitors:
Farris, Vaughan, Wills & Murphy
Toronto Dominion Bank Tower
700 West Georgia Street
Vancouver, B.C.

Employees' Union:
United Steelworkers of America
Operating Employees
Locals 1051 & 7745
Faro and Carmacks, Yukon Territory

Office & Technical Employees
Local 8243
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